

VIET NAM VETERANS AND THEIR FAMILIES TRUST

ANNUAL REPORT

For the year ended 31 October 2008

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INTRODUCTION

The Viet Nam Veterans and Their Families Trust (VNVFT) was established on 16 August 2007 by the New Zealand Government together with veterans' organisations. The Trust provides grants to Viet Nam veterans and their families for purposes set out in the Trust Deed. These grants are additional to any existing entitlements, under the War Pensions Act 1954, to which Viet Nam veterans may be entitled.

The Trust was established with a capital endowment of \$7 million for a 30-year period. During that time, the net income derived from the capital will be available for distribution to veterans and their families under the provisions of the Trust Deed.

Administration of the Trust is provided by the Department of Internal Affairs and is separately funded by the Government at no cost to the Trust itself.

OBJECTIVES OF THE TRUST

The objectives of the Trust are set out in the Trust Deed (www.veteransaffairs.mil.nz). The main objective is the provision of financial support to New Zealand Viet Nam Veterans and their families, to help address hardship for which help is not available elsewhere.

THE ROLE OF THE TRUSTEES

While the Trust is administered by the Department of Internal Affairs, it is independent of the Government. The trustees are governed by the provisions of the Trust Deed, and are more generally accountable to the community of veterans for whom the Trust was established. Two trustees are chosen by the Ex-Vietnam Services Association (EVSA), two by the Royal New Zealand Returned and Services' Association (RNZRSA), and a Chairperson is appointed by the Government.

The trustees invest the \$7 million to ensure that it is both secure and generates optimal income for the beneficiaries of the Trust; receive and decide on applications for assistance; and ensure compliance with the provisions of the Trust Deed.

TRUSTEES

- Michael Wintringham (Chair)
- John Masters
- Henry Macown
- Alastair MacKenzie
- Richard Ottaway (until 1 October 2008)
- Conrad Flinkenberg (from 28 October 2008)

FUNDING FOR GRANTS

When the Trust was established, in addition to the \$7 million capital endowment, the Government provided a sum of \$300,000 as notional accrued interest on the capital sum. This provision was intended to allow the Trust to start making grants in advance of receiving the first instalments of interest on the capital.

This \$300,000, together with interest of \$563,684.50 earned from bank deposits and other investments from the establishment of the Trust to 30 October 2008, gave the Trust \$863,684.50 to make available for grants and to meet costs not covered by the Department of Internal Affairs. These costs were principally audit fees and the travel costs of trustees attending meetings of the Trust.

FINANCIAL YEAR

The Trust Deed provides for the financial year of the Trust to end on 31 March. Because the Trust would have been making grants for only four or five months by 31 March 2008, the trustees resolved (as provided for in the Trust Deed) to make the balance date 31 October 2008 for the first year of operation. The trustees are likely to resolve to revert either to 31 March or establish 30 June as the date on which future financial years will close.

OTHER COSTS

Audit fees are estimated at \$3,000, which will accrue to the 2008/09 year

Travel costs are a significant expense for the Trust. These totalled \$6,630 in 2007/08. The Trust attempts to balance the requirement to hold meetings frequently enough to process applications when interest income is available with the need to minimise the cost of travel.

When the Trust was established, it was agreed that the chair would be paid \$500 per day, and other trustees \$300 per day, when engaged on Trust business. A deficiency in the wording of the Trust Deed has meant that no fees have been paid to the trustees. This will be addressed in 2008/09.

INVESTMENT

The trustees have adopted a conservative, low risk, investment policy. The objective of the Trust is to preserve the \$7 million in nominal terms (i.e. its real value is intended to erode with inflation over 30 years) and ensure a steady flow of income for disbursement to beneficiaries of the Trust.

FINANCIAL COMMENT

The Trust investments are held in Fixed Term Deposits or similar instruments with mainstream banks, namely ANZ, TSB Bank, BNZ and Kiwibank. These deposits range from 30 days to 2 months duration. They generate a steady flow of income for the Trust. But, with the current financial crisis, there is likely to be a decrease in available funds in coming months due to a fall in interest rates.

STATUS OF TRUST GRANTS

At an early stage of the Trust's activities, the question arose whether a grant from the Trust would be treated as income or a cash asset for the purposes of determining eligibility to means-tested social security assistance paid by Work and Income.

This has been clarified. The Government has confirmed that grants from the Trust will not be regarded as income or as a cash asset for a period of 12 months after the grant was made. A Regulation to this effect is in force. This means that if the grant is not used for a particular purpose and is retained for more than 12 months (e.g. it is placed in the bank) the grant itself would become a cash asset and any interest derived from it would be treated as income for social security assessment purposes.

GRANTS

During the year, the Trust received 174 applications seeking over \$4 million of funding against available funds of \$863,684.

The Trust has made grants totalling \$835,915 to 117 applicants. The Trust declined 32 applications and the balance are pending decision until the next tranche of interest income is available

In coming to decisions on applications, the trustees were faced with difficult choices. The available funding was just over 20 per cent of the total requested. The trustees were usually able to decide quickly and positively on applications for modest amounts for practical help to relieve hardship. Requests for tens of thousands of dollars were, and remain, beyond the financial ability of the Trust to meet, certainly without unfairly penalising others in the Viet Nam veterans' community who would have to wait for years for assistance, or miss out altogether.

OTHER MATTERS

In some cases the Trustees have asked applicants to try another source of funding first. This is simply to ensure that every possible source of assistance available to veterans and their families is fully tapped, and that the Trust's funds go as far as possible.

In the same way, Veterans' Affairs New Zealand (VANZ) have been consulted from time to time to ensure that, if assistance being sought from the Trust was available from VANZ, the veteran or family member would receive that entitlement.

With the appointment of former trustee, Rick Ottaway, as the new Director of VANZ, there is an opportunity for the Trust to work even more closely with that organisation. Although Rick is a considerable loss to the Trust, he is not lost to the veterans' community. His appointment will help cooperation between the Trust and VANZ to ensure that Viet Nam veterans and their families get as much assistance as possible, from the entitlements available under the War Pensions Act, from more general social assistance, and from the Viet Nam Veterans and Their Families Trust.

There remains an unrequited demand for assistance from the Viet Nam veteran community. Some of the applications to the Trust relate to medical conditions of veterans, or their children, which were not included in the Memorandum of Understanding between the New Zealand Government and the veterans' organisations as requiring immediate financial or other special recognition

It is over two and a half years since the Joint Working Group on the Concerns of Viet Nam Veterans recommended compensation for a range of medical conditions for Viet Nam veterans and their progeny. It is well over a year since the Memorandum of Understanding, as a substitute for immediate acceptance of all these medical conditions, agreed to the establishment of an expert panel to review and remain abreast of local and international research and information on the health status Viet Nam veterans and their progeny. To the best of our knowledge the panel has not been established. The trustees endorse the establishment of the panel as required by the Memorandum of Understanding, and as an important plank, (as is the Trust itself), in helping put things right for New Zealand's Viet Nam veterans and their families.

Michael Wintringham (Chair)
Viet Nam Veterans and Their Families Trust



Audit Report

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To The Members Of The Vietnam Veterans And Their Families Trust

We have audited the financial report on pages 1 to 8. The financial report provides information about the past financial performance of the Trust and its financial position as at 31 October 2008. This information is stated in accordance with the accounting policies set out in Note 1 to the Financial Statements on page 5.

Trustee's Responsibilities

The Trustees are responsible for the preparation of a financial report, which fairly reflects the financial position of the Trust as at 31 October 2008 and of the results of operations for the period ended

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial report presented by the Trustees.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations that we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditors we have no relationship with or interests in the Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion, the financial report on pages 1 to 8 fairly reflects the financial position of the Trust as at 31 October 2008 and the results of its operations for the period ended on that date.

Our audit was completed on 3 December 2008 our unqualified opinion is expressed as at that date.



GRANT THORNTON
WELLINGTON
12 December 2008

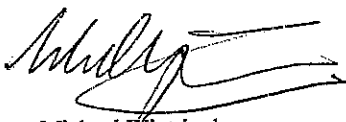
**VIETNAM VETERANS AND THEIR FAMILIES TRUST
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2008**

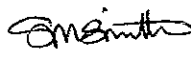
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**VIETNAM VETERANS & THEIR FAMILIES TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2008**

	<u>Note</u>	2008 \$
Capital Fund	3	
Accumulated Funds	3	(5,014)
Total Funds		(\$5,014)
These Funds are represented by:		
<u>Current Assets</u>		
Bank and Call Deposits	4	11,752
Short Term Deposits	5	7,000,000
Accrued Interest		32,996
Total Current Assets		7,044,748
Total Assets		7,044,748
<u>Less Current Liabilities</u>		
Accounts Payable		(3,000)
Grants, Scholarships and Prizes Payable		(46,762)
Total Current Liabilities		(49,762)
Working Capital		6,994,986
<u>Long Term Liability</u>		
Loan Payable	2	(7,000,000)
Total Long Term Liability		(7,000,000)
Net Assets		(\$5,014)


Michael Wintringham
Chairman


Shirley Smith
Chief Financial Officer

Date 3 December 2008

The accompanying notes and accounting policies are an integral part of these financial statements.



**VIETNAM VETERANS & THEIR FAMILIES TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 OCTOBER 2008**

	<u>Note</u>	2008 \$
<u>Revenue</u>		
Interest	6	819,665
Refund of resident withholding tax		65,128
Grants cancelled		0
		884,793
<u>Less Expenditure</u>		
Grants		880,177
Audit Fee		3,000
Travel Expenses		6,630
Other Administration Costs	7	0
		889,807
Net Surplus for the Period	3	(\$5,014)

The accompanying notes and accounting policies are an integral part of these financial statements.



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**VIETNAM VETERANS & THEIR FAMILIES TRUST
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE PERIOD ENDED 31 OCTOBER 2008**

	Note	2008 \$
Opening Funds as at 16 August 2007		0
Net Surplus for the Period		(5,014)
Total Recognised Revenue & Expenses for the Period		(5,014)
Closing Funds as at 31 October		(\$5,014)
Comprising:		
Capital Fund	3	0
Accumulated Funds	3	(5,014)
Total Funds per Statement of Financial Position		(\$5,014)

The accompanying notes and accounting policies are an integral part of these financial statements.



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VIETNAM VETERANS & THEIR FAMILIES TRUST
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 OCTOBER 2008

	<u>Note</u>	2008 \$
<u>Cash Flows from Operating Activities</u>		
Cash was provided from:		
Grant from NZ Government		7,000,000
Interest received		786,669
Redund of withholding Tax		65,128
Cash was disbursed to:		
Payment of Grants		(833,415)
Payments to Suppliers		(6,630)
		<hr/>
Net Cash Flows from Operating Activities	8	7,011,752
		<hr/>
<u>Cash Flows from Investing Activities</u>		
Cash was provided from:		
Proceeds from maturity of investments		7,000,000
Cash was applied to:		
Purchase of investments		(7,000,000)
		<hr/>
Net Cash Flows from Investing Activities		0
		<hr/>
Net Increase/(Decrease) in Cash Held		7,011,752
<u>Add Bank Call and Short Term Deposits at 16 August 2007</u>	4,5	0
		<hr/>
Bank, Call and Short Term Deposits at 31 October	4,5	\$7,011,752
		<hr/> <hr/>

The accompanying notes and accounting policies are an integral part of these financial statements.



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**VIETNAM VETERANS & THEIR FAMILIES TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2008**

Note 1: Reporting Entity

The Trust was established in 16 August 2007 by deed of trust as a relief from poverty or hardship of the Vietnam Veterans and their families and other matters beneficial to the community of Veterans and their families. The Trust may be applied to make discretionary payments to Vietnam Veterans and their families whom the Trustees consider are suffering any medical or health related difficulties connected with the Vietnam Veteran's service. The Trustees shall have regard to but shall not be bound by section 25(1) of the War Pensions Act 1954 (WPA) as if in terms of that section, a request for assistance from the Trust is a claim under the WPA, claiming such a pension.

Note 2: Statement of Accounting Policies

Measurement Base

The financial statements have been prepared on an historical basis.

Accounting Policies

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Revenue

The Trust derived income from its investments. Such income is recognised when earned and is reported in the period to which it relates.

Accounts Receivable

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectible debts.

Investments

Normally investments are held to maturity. In meeting its liquidity requirements, the Trust maintains a target level of investments that must mature within specified timeframes.

Expenditure

Grants, scholarships and prizes are recognised as expenditure when approved by the Trustee.

Financial Instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, creditors and investments. All financial instruments are recognised in the statement of financial position and all revenue and expenses in relation to financial instruments are recognised in the statement of financial performance.

Taxation

The Trust holds a certificate of exemption from Resident Withholding Tax. The Trust was registered as a Charitable entity under the Charities Act 2005 on 26 February 2008.

Goods and Services Tax (GSI)

The Trust is not GSI registered. The financial statements have been prepared on a GSI inclusive basis.

Loan Payable

The Trust was gifted with \$7,000,000 by the NZ Government for a defined period for the purpose of generating income. This amount is repayable in 30 years.



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VIETNAM VETERANS & THEIR FAMILIES TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2008

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and demand deposits in which the Trust invests as part of its day to day cash management.

Operating activities include all activities other than investing activities. The cash inflows include all receipts from interests from investments and other sources of revenue that support the Trust's operating activities. Cash outflows include payments made for grants and suppliers.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities.

Change in Accounting Policies

This accounts represent the first financial reporting period of the Trust and therefore there is no comparative financial information

Note 3: Movement in Funds

The Capital Fund is non-distributable whereas Accumulated Funds can be distributed with the approval of the Trustees.

	2008 \$
Closing Funds at 31 October	(5,014)
Represented By:	
Capital Fund	
Opening balance	-
Transfer from Accumulated Funds	-
Closing balance	\$0
Accumulated Fund	
Opening balance	-
Net Surplus for the period	(5,014)
Transfer to Capital Fund	
Closing balance	(\$5,014)

Note 4: Bank and Call Deposits

	2008 \$
TSB Bank - Cheque Account	6,621
TSB Bank - Call Account	5,131
Total Bank and Call Deposits	\$11,752



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VIETNAM VETERANS & THEIR FAMILIES TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2008

Note 5: Short Term Deposits

	2008 \$
ISB Bank Term Deposit Due 4 December 2008 @ 8.09%	1,500,000
ANZ Bank Term Deposit Due 28 November 2008 @ 8.16%	1,900,000
BNZ Term Deposit Due 28 November 2008 @ 7.29%	1,700,000
ISB Bank Term Deposit Due 28 November 2008 @ 7.00%	400,000
Kiwibank Term Deposits Due 28 November 2008 @ 8.00%	1,500,000
	\$7,000,000

Note 6: Interest Revenue

The make-up of interest income is as follows:

	2008 \$
Bank Deposits	519,665
Interest received from NZ Government	300,000
Total Interest Revenue	\$819,665

Note 7: Administrative Costs

The Department of Internal Affairs has an obligation to provide administrative and accounting services to the Trust. The services of Trustees are provided on an honorary basis.

Note 8: Reconciliation from reported Surplus for the Period to Net Cash Flows from Operating Activities

	2008 \$
Reported Surplus for the Period	(5,014)
Adjustments for movements in working capital items:	
Increase in Accrued Interest	(32,996)
Increase in Accounts Payable	3,000
Increase in Grants Payable	46,762
Net Cash Flows from Operating Activities	\$11,752



VIEINAM VETERANS & THEIR FAMILIES TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2008

Note 9: Financial Instruments

Off Balance Sheet Exposure:

The Trust had no off balance sheet exposure at 31 October 2008 or during the financial period then ended.

Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 31 October 2008. The Board does not consider that there is any significant interest exposure on the Trust's investments.

Foreign Currency Risk:

All grants are paid in New Zealand currency. Any currency movement would have no effect on the Trust.

Fair Value:

The carrying cost of financial assets is the fair value.

Note 10: Related Parties

All transactions were carried out on an arm's length basis and there were no related party transactions.

Note 11: Commitments

There were no commitments as at 31 October 2008.

Note 12: Contingent Liabilities

There were no contingent liabilities as at 31 October 2008.

Note 13: Adoption of New Zealand Equivalents to International Reporting Standards (NZ IFRS)

The FRSB has released a decision that the adoption of NZIFRS may be delayed for entities that are not subject to the Financial Reporting Act 1993 or otherwise required to comply with financial reporting standards approved by the ASRB, are not "publicly accountable", and not "large" as defined in the Framework for Differential Reporting. As a result the Vietnam Veterans and their Families Trust has delayed the adoption of NZIFRS.

